


PATÍÑO, N.V.
ANNUAL REPORT



DECEMBER 31, 1973



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Patiño, N.V. Activities

	Group %	Address
Cofremmi	100.00	17 rue Dumont d'Urville Paris 16e, France
Patiño Mines (Quebec) Limited	100.00	7 King Street East, Suite 1401 Toronto, Canada
Lemoine Mines Limited	100.00	7 King Street East, Suite 1401 Toronto, Canada
Rio Tinto Patiño, S.A.	40.00	Zurbano 76 Madrid, Spain
Lytton Minerals Limited	58.10	602 West Hastings Street, Suite 509 Vancouver, Canada
Consolidated Tin Smelters Limited	70.30	2 Metal Exchange Buildings Leadenhall Avenue London EC3V 1LD, England

1973

Financial Highlights

For the year ended December 31	1973	1972 restated
Gross revenue	\$ 962,521,000	\$ 620,477,000
Income before extraordinary items <i>per share</i>	8,625,000 \$ 1.97	3,916,000 \$ 0.90
Extraordinary items <i>per share</i>	1,931,000 \$ 0.44	(6,768,000) \$ (1.55)
Net income <i>per share</i>	10,556,000 \$ 2.41	(2,852,000) \$ (0.65)
Cash flow from operations <i>per share</i>	12,131,000 \$ 2.77	11,062,000 \$ 2.53
Expenditures on plant and equipment, mine development and mining projects	6,536,000	8,274,000
At the Year End		
Working capital	\$ 34,478,000	\$ 23,182,000
Shareholders' equity at book value	77,307,000	65,630,000

president's report

The Annual Report outlines the considerable progress achieved during 1973 in specific areas of the Group's activities as well as in its overall development.

I would particularly like to draw your attention to the following events of the past year which was a most favourable one for the Group.

Net income before extraordinary items was \$ 8,625,000 and after extraordinary items \$ 10,556,000 or the equivalent per Patiño, N.V. share of \$ 1.97 and \$ 2.41 respectively.

Compagnie Française d'Entreprises Minières et Métallurgiques et d'Investissements - Cofremmi

The final details of the mining and metallurgical project in the north of New Caledonia were settled and the effective launching of the project was announced on February 27, 1974.

The mining operation will be carried out by Cofremmi, which owns the deposits, while Sommeni, its wholly owned subsidiary, will construct and operate the metallurgical complex.

Patiño Mines (Quebec) Limited

The 1973 results showed an improvement although operations were hampered by the lack of experienced labour which has been felt generally in Canadian mining. Ore reserves were increased.

A high grade copper-zinc deposit has been discovered in Lemoine Township which will be in operation by the end of 1975. Further exploration in the area could lead to the discovery of additional deposits.

Rio Tinto Patiño, S.A.

Rio Tinto Patiño, S.A. had a successful year. The capacity of the smelter and the electrolytic refinery is being doubled and the Santiago copper deposits are being brought to the production stage. Mining exploration is being actively pursued.

Consolidated Tin Smelters Limited

As indicated last year, our efforts have been centered on strengthening this part of the Group.

The winding up of Williams Harvey has terminated heavy operating losses which affected results for several years. The merger of Consolidated Tin Smelters Limited and British Amalgamated Metal Investments Limited has been achieved and changes in management and company structure have been accomplished. The recovery has already been significant and further favourable developments can be expected in the future.

Amalgamated Metal Corporation Limited

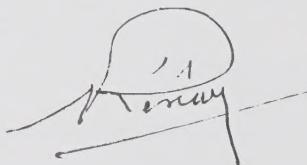
The reorganisation programme has made further progress ; relationships have been established or strengthened between the various sections of the Patiño Group in order to take full advantage of the Group's trading potential. This has been an excellent year for the company which reported record earnings.

Conclusion

In my previous report I stressed the need for realistic solutions to certain of our problems. These have been adopted and have enabled us to achieve better results.

Thus, restructured, our Group is undertaking large scale operations, the success of which can be assured as these have followed a carefully thought out and well defined plan. The wide diversification of our interests will provide an additional safeguard for the future.

It is therefore with confidence that our shareholders should look forward to the near future and expect positive rewards.



President and Chief Executive Officer
The Hague, April 11, 1974.

The Mining and Metallurgical Project in the North of New Caledonia

During 1973 Cofremmi was principally concerned with the final detailed planning in connection with the establishment in the north of New Caledonia of the mining and metallurgical complex which will be developed jointly with its subsidiary Sommeni.

While awaiting a decision from its two partners which had participated in organizing Sommeni, Cofremmi directed its efforts to pursuing joint technical studies and preparatory work which were completed towards the end of the year.

Following the decision of its two partners to withdraw, Cofremmi, with the approval of the French Government, immediately proceeded to conclude the necessary arrangements and ensure that this project, for which it thus became solely and fully responsible, might proceed without further delay.

The terms of the fiscal agreement relating to the entire operation having been determined by the French Government and financing being assured, the project was officially launched on February 27, 1974.

Mining will be carried out by Cofremmi, which owns the deposits, while its wholly owned subsidiary Sommeni, with the support of Cofremmi, will be responsible for constructing and operating the metallurgical complex. Work has already begun and it is expected that the plant will be in production by mid 1976.

Mineral Exploration in New Caledonia

Five million Francs (about \$ 1 million) were spent on mineral exploration during the year. This expenditure was lower than the amounts spent respectively in 1971 and 1972 since efforts were limited mainly to the investigation of certain areas outside of Tiebaghi and Poum which had not been drilled previously.

Knowledge of the mineralized areas as a whole is therefore comprehensive and the immediate objective is to bring into production the Tiebaghi deposit and subsequently that of Poum, the output from both being treated in due course by Sommeni.

Proved ore reserves only for the Tiebaghi and Poum deposits are :

		Dry Metric Tons	% Ni + Co
Tiebaghi	Garnierite ore	13,250,000	3.00
	Laterite ore	17,110,000	1.00
Poum	Garnierite ore	35,000,000	2.30
	Laterite ore	41,000,000	1.34

I - New Caledonia

A - Société Minière et Métallurgique du Nickel (Sommeni)

This company was incorporated on September 15, 1972 and became a wholly owned subsidiary of Cofremmi following the withdrawal of Pechiney Ugine Kuhlmann and Gränges Aktiebolag.

The major activities which will be carried out by Sommeni in the north of New Caledonia are as follows :

Metallurgical Plant

The construction of a metallurgical plant designed to achieve in the first stage an annual production of about 18,000 metric tons of nickel contained in ferronickel grading 35% nickel. Capacity can be increased later to 36,000 tons dependent on market prospects. The plant will commence production in mid 1976.

Treatment Process

The pyro-metallurgical process is one developed and patented by Sofrem (Société Française d'Electrometallurgie), a subsidiary of Pechiney Ugine Kuhlmann, which will contribute technical assistance and know-how for the first 15 years of the plant's operation. Metallurgical tests carried out in the pilot plant of Sofrem have confirmed initial test results and have led to the construction of a second experimental nickel treatment plant, the performance of which has been very satisfactory.

Finance

The construction of the metallurgical complex requires the investment of about 750 million Francs (\$ 150 million). Apart from funds of the Patiño Group, assisted by the Bank of Montreal, financing will be provided through long term loans from various official entities and a banking consortium under the leadership of Société Générale.

Fiscal Agreement

Following a request in January 1973 to the appropriate authorities for a fiscal agreement, the French Government has set the terms for the tax treatment of Sommeni.

B - Granical

Granical manufactures road building material through the treatment of granulated particles and nickel slags.

Having concluded the initial investigations, Granical moved to the production phase in the Nouméa district during the second half of 1973. Industrial application of the process has confirmed our expectations. Technical results are in line with previous estimates and 1974 ought to be profitable.

II - Brazil

A - Companhia Estanífera do Brasil (Cesbra)

The results of Cesbra in which Cofremmi holds a 33% interest improved during 1973.

In 1974 further benefits are expected to flow from improvements to the technical operations of the tin smelter and more favourable marketing conditions. Production is expected to increase by 20% in 1974 compared with 1973.

A subsidiary of Cesbra, Mineração Brasiliense, S.A. (Mibrasa) operated very satisfactorily and is exploiting alluvial cassiterite deposits in Rondonia. This cassiterite production has contributed to the improvement in deliveries of feed to Cesbra's plant at Volta Redonda.

Companhia Espírito Santo de Mineração in which Cesbra holds 45% and Patiño, N.V. 45%, is carrying out a study to determine the economic feasibility of a group of alluvial deposits which appear to be promising. The results ought to be known shortly.

B - Minas del Rey Dom Pedro

Cofremmi holds 30% of the capital of this company.

The drilling programme carried out gives hope of substantial reserves of hematite and itabirite.

The company is having discussions with several steel making groups with a view to bringing the present ore deposits to production and constructing a pelletization plant on the site. The ore is of good quality with little sulphur or phosphorus.

Minas del Rey Dom Pedro has an important existing infrastructure (communications, roadways and railways, energy sources and housing for personnel).

It is hoped that it will be possible to come to a decision based on the feasibility of this mining and industrial project by the end of the year.

Results

During 1973 the mill treated 973,000 tons of ore which averaged 1.62% copper and produced concentrates containing 29,988,000 lbs. of copper. This was less than the production in 1972 of 35,074,000 lbs. of copper because of the lower tonnage and grade of ore treated.

Revenue was higher due to the improved metal prices that prevailed during most of the year, despite substantial cost increases for both labour and supplies, particularly in the latter part of the year. Net profit for the year was \$ 2,444,000.

The average milling rate was 2,673 tons per calendar day compared with 2,740 tons per calendar day in 1972. The lower milling rate resulted from a general shortage of manpower, inexperience of new employees and a one-week illegal work stoppage in July.

Ore reserves were increased by 339,000 tons to 5,342,000 tons after milling 973,000 tons but the average grade at 1.81% copper is slightly lower.

Production

	1973			1972		
Copper (lbs.)	29,988,000			35,074,000		
Gold (ozs.)	29,444			28,147		
Silver (ozs.)	139,890			171,567		

	Short tons milled	% Cu	Ozs. Au	Short tons milled	% Cu	Ozs. Au
Copper Rand	524,000	1.84		531,000	2.00	
Portage	306,000	1.42		273,000	1.58	
Copper Cliff	130,000	1.17		211,000	1.46	
Other	13,000	1.82		5,000	1.77	
	973,000	1.62	0.035	1,020,000	1.77	0.036

Development

At the Copper Rand mine the main ore developments were in the hanging wall zone. This work has continued to indicate the significant ore potential of the zone and has resulted in important additions to ore reserves. Over 600,000 tons of new ore averaging 1.60% copper were outlined in this area by drifting and diamond drilling on the 2400 and 2550 levels. Gold values in the zone are erratic but are generally above mine average. The 2700 level is the last undeveloped level above the underground crusher and in 1974 a crosscut will be driven to the ore zone. Also, excavations will be completed in preparation for the next stage of shaft deepening. A new ore pass above the 1175 level was completed.

Development at the Portage mine in the main zone on the 2250 and 2400 levels outlined ore averaging 1.40% copper. A crosscut to the zone was started on the 2550 level.

At the Copper Cliff mine most of the development was in the north siderite zone and outlined low grade ore between the 400 and 675 levels. It is planned to suspend mining about mid-year to permit deepening of the shaft to provide three new levels.

The Jaculet mine was kept pumped out and will resume production in early summer. A crosscut will also be driven from the shaft station on the 1350 level to explore the No. 1 and No. 2 ore zones.

Kerr Addison-Patiño Joint Project (Bouzan Property)

The ore lens in the far south zone which had been developed in 1972 for a length of 776 feet on the 1000 level was prepared for mining and 24,276 tons were broken in shrinkage stopes. A crosscut was driven on the 700 level from the Copper Rand workings to the top of a raise from the 1000 level to provide ventilation and access. The ore below the 1000 level is being developed from a sublevel above the 1300 level. Production from stoping and development totalled 13,444 tons averaging 1.81% copper and 0.028 ozs. of gold. Ore reserves total 192,000 tons averaging 2.04% copper and 0.020 ozs. of gold, half of which is included in the ore reserve summary.

Exploration

Exploration consisted of a modest program in the Chibougamau area which resulted in the discovery of the important Lemoine copper-zinc deposit.

Ore reserves

	December 31, 1973			December 31, 1972		
	Short tons	% Cu	Ozs. Au	Short tons	% Cu	Ozs. Au
Copper Rand (to 2,615 ft)	3,793,000	1.92	0.034	3,373,000	2.00	0.027
Jaculet (to 1,200 ft)	92,000	1.80	0.025	—	—	—
Portage (to 2,450 ft)	1,246,000	1.55	0.069	1,403,000	1.62	0.069
Copper Cliff (to 1,610 ft)	115,000	0.97	0.025	127,000	1.45	0.025
Kerr Addison- Patiño (to 1,170 ft)	96,000	2.04	0.020	100,000	2.09	0.020
	5,342,000	1.81	0.042	5,003,000	1.88	0.038

Since operations started in 1960, 10,403,000 tons of ore have been milled.

Lemoine Mines Limited

Lemoine Mines was incorporated to develop to production the copper-zinc discovery made in Lemoine township by Patiño Mines (Quebec) Limited in late 1973. The deposit is located 37 miles by road to the southeast of the town of Chibougamau and consists of a nearly massive sulphide lens, about 700 feet long by 10 feet wide in a series of rhyolitic tuffs and lavas. In total 400 claims were staked in the area to cover the geologically favourable volcanic series and a number of airborne anomalies. The discovery is considered to be important because it is the first volcanogenic deposit of economic grade found in the area and because of its high metal content.

The deposit has been investigated by closely spaced drill holes to a depth of 600 feet and by more widely spaced holes to a depth of 1,000 feet. It appears that the deposit will extend downward below the 1,000 foot depth.

Ore reserves (as indicated by diamond drilling after 15% dilution)

	Tons	% Cu	% Zn	Ozs. Au	Ozs. Ag
Proved (surface to 600 ft)	512,000	4.3	10.0	0.135	2.50
Probable (600 ft to 1,000 ft)	113,000	5.7	15.0	0.155	3.80
	625,000	4.5	10.8	0.138	2.70

An area has been cleared to bedrock near the deposit and shaft sinking to a depth of 1,000 feet has commenced with the aim of bringing the mine into production at a rate of 300 to 500 tons per day in late 1975.

Geophysical check surveys and investigations of anomalies by diamond drilling are being conducted on some of the other claims held in the area.

At the Cerro Colorado open-pit mine in southern Spain, 3,010,000 metric tons of ore were treated in the copper concentrator and 1,208,000 metric tons of gold and silver gossan ore were processed in the cyanide leaching plant compared respectively with 2,757,000 metric tons and 1,005,000 metric tons in 1972. Copper production amounted to 20,921 metric tons (46,126,845 lbs.) comprising 20,069 metric tons contained in concentrates and 852 metric tons in cement copper. Output of gold was 2,786.13 kgs. (89,576 ozs.) and of silver 16,259.10 kgs. (522,742 ozs.). Further efficiencies should be achieved in 1974.

At the Huelva custom smelter production reached 68,426 metric tons of anode copper and 173,726 metric tons of sulphuric acid. Smelting capacity at Huelva is being expanded to 84,000 metric tons annually effective in 1975 with the construction of a flash smelter. Electrolytic refining capacity is also being doubled to 84,000 metric tons to be achieved in the first half of 1974. The capacity of the electrolytic refinery is to be increased further to 105,000 metric tons later in the year. Sulphuric acid production will also rise as a result of the smelter expansion.

The wholly owned Santiago (Galicia) copper deposit should be in production during the second half of 1975 at a daily rate of 4,000 metric tons. Spanish government preferential treatment has been extended to the region including this project, so that operation of the open-pit deposits, with reserves approximating 18 million metric tons grading 0.70% copper, and concentrating plant will enjoy additional assistance. Copper concentrates from Santiago will be treated at RTP's Huelva smelter.

Mineral exploration in Spain is being actively pursued.

In 1973 Sociedad Espanola de Construcciones Electro-Mecánicas, S.A. (Secem), owned as to 41.5% by RTP, increased its share of Spanish semifabricated production to 40.5% with an output of 79,141 metric tons of copper and brass and 3,142 metric tons of aluminium. Secem is undertaking a major expansion of its plant capacity.

Preliminary 1973 consolidated results of RTP, using criteria consistent with that of 1972, showed a net profit after current taxes of 938 million pesetas (US \$ 15.9 million) after deducting depreciation of 532 million pesetas (US \$ 9.0 million) and interest charges of 380 million pesetas (US \$ 6.4 million).

During 1973 RTP also repaid US \$ 5.5 million of the original U.S. \$ 25 million loan (now US \$ 11.25 million) arranged and guaranteed by Patiño, N.V. and reduced other debt by 576 million pesetas (US \$ 9.7 million) now 2,237 million pesetas (US \$ 37.7 million).

Ore reserves of RTP as at December 31, 1973 were estimated as follows:

- 53,000,000 metric tons with 0.75% copper
- 15,700,000 metric tons of gold and silver gossan ore grading 2.3 grams (0.074 ozs.) gold and 40 grams (1.284 ozs.) silver per ton

Spain achieved economic expansion of 7.9% in real terms during 1973. Copper consumption rose by 14.9%.

There were no exploration activities in 1973.

Lytton Minerals Limited exercised its option to purchase all of the "B" shares representing 49% of Minas del Otoño, S.A. (Minosa), a Mexican company which owns two important copper deposits known as La Verde Mine in the state of Michoacán, Mexico. Sufficient exploration and metallurgical work had been done in prior years to confirm proven and probable ore reserves totalling 87,300,000 tons with an average grade of 0.70% copper, 0.01 ozs. of gold and 0.15 ozs. of silver plus about 0.2 lbs. of recoverable molybdenite per ton. Feasibility studies indicated a viable operation of at least 15,000 metric tons per day.

Lytton has the right to designate Mexican companies and nationals who may acquire the "A" shares representing 51% of Minosa. Early in 1974, 1% of the "A" shares were granted to José María Flores Barron.

Expenditures on the Mexican properties in 1973 were limited to \$ 105,000, attributable largely to property supervision and various administrative fees and charges.

In 1973 Patiño, N.V. granted options on its 58.1% holding in Lytton to two large mining groups. These options were not exercised because of the difficulties encountered with the Mexican tax authorities in obtaining an acceptable long-term tax agreement, even though the feasibility study indicates the investment in the project can be recovered in the first three years of operation, due primarily to the accelerated depreciation that can be obtained.

Your Directors view the Mexican deposits as a significant asset with good prospects for development of additional reserves. It is hoped that a satisfactory fiscal agreement can be arranged with the Mexican authorities and that suitable Mexican partners will participate in the project.

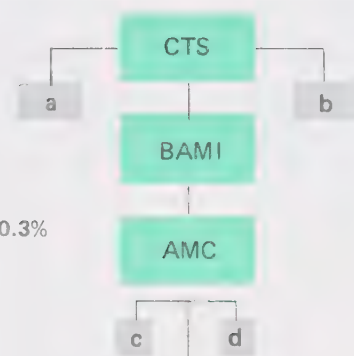
consolidated tin smelters limited

As at December 31, 1973

- a. Makeri Smelting 62.5%
- b. Sharikat Eastern Smelting Bhd. 50.5%

BAMI—British Amalgamated Metal Investments 100%

- AMC—Amalgamated Metal Corporation 60.3%**
- c. Norddeutsche Affinerie 20%
 - d. Aluminium Bahrain 17%



Profitable for the first time since 1969, Consolidated Tin Smelters Limited made £ 1,587,000 (\$ 3,666,000) after taxation and extraordinary items. Consolidated reserves were raised from £ 3,248,000 (\$ 7,503,000) to £ 5,992,000 (\$ 13,842,000) due mainly to retained profits and the surplus on acquisition of additional shares in subsidiaries. An independent valuation of the Group's principal holdings of land and buildings showed a surplus of £ 6,600,000 (\$ 15,246,000) over book value as at December 31, 1973.

Reorganization

Considerable progress has been made with the reorganization announced last year. The winding up of Williams Harvey & Co. Ltd. which owned a tin smelter in England, is proceeding satisfactorily and a substantial distribution to creditors is expected shortly. BAMI became a wholly owned subsidiary in July 1973 at a total cost of £ 2,493,000 (\$ 5,759,000) in cash; Group shareholdings in AMC were increased from 56.2% to 60.3%. BAMI's stock exchange investments were sold and the proceeds have been applied to expanding its international metal trading and industrial ventures.

The tin smelters in Malaysia and Nigeria continued to operate profitably and are expected to make an acceptable contribution to Group revenues in 1974 because treatment charges were increased on January 1, 1974. Results of the CTS industrial subsidiary companies were satisfactory.

Amalgamated Metal Corporation Limited

Record profits were achieved in 1973. The consolidated profit after tax and before extraordinary items was £ 2,149,000 (\$ 4,964,000) compared with £ 437,000 (\$ 1,020,000) in 1972. After taking into account extraordinary items the net profit was £ 3,129,000 (\$ 7,228,000) against £ 575,000 (\$ 1,343,000) in 1972.

Conclusion

The recovery of the CTS Group has been significant and, given reasonable trading conditions, it can now face the future with confidence.

Nickel

Nickel smelter production in the free world increased from 427,000 tons in 1972 to 524,000 tons in 1973, an increase of 22%, and in the same period the free world consumption moved from 425,000 tons in 1972 to 520,000 tons in 1973. A reasonably balanced supply/demand position has thus been established. Large sales to China during 1973 permitted major Western world producers to reduce their inventories from the inflated levels of the two previous years.

While the North American producer price for refined nickel remained unchanged during 1973 at US \$ 1.53 per lb., the prices of nickel in nickel oxide sinter and of nickel in ferronickel rose by US \$ 0.03 and US \$ 0.06 respectively in July. The producer price for refined nickel was raised US \$ 0.09 to US \$ 1.62 per lb. in January 1974 and at the same time nickel in ferronickel gained US \$ 0.11.

The months to come should witness considerable improvement in the outlook and this improvement stands a good chance of being accentuated in the future.

The activities of the Group in the field of nickel are described in the Cofremmi section.

Copper

Copper consumption in 1973 rose by about 11% to 8.8 million tons while production from primary sources increased only 3% to 7.3 million tons. The deficit was met by copper from secondary sources and stocks held by producers and warehouses of commodity exchanges. London Metal Exchange warehouse stocks fell by nearly 90% from 180,000 tons to under 20,000 tons while prices moved strongly ahead during 1973 from £ 460 (\$ 1,063) in January to £ 1,135 (\$ 2,620) in December.

Production was disrupted throughout 1973. Major strike action affected Chilean output which improved late in the year. Environmental restrictions and industrial problems in North America caused production cutbacks and severe temporary shortages in the second half of 1973 and early 1974.

Supply is expected to improve through 1974 though interest will be centered on the negotiations between the United States mining companies and labour on a new contract due mid-year.

Tin

World smelter production of primary metal during the year ended December 31, 1973 as presently estimated by the Tin Council totalled 181,300 tons compared with 190,000 tons during 1972. The distribution of the 1973 production was :

	Tons
Malaysia	82,500
Thailand	22,000
United Kingdom	17,000
Indonesia	14,600
Bolivia	7,000
Nigeria	6,000
Others	32,200
	<u>181,300</u>

In 1973 tin prices reached record levels both in Malaysia, the equivalent of approximately £ 3,103 (\$ 7,168) per long ton ex works, and on the London Metal Exchange, £ 3,182 (\$ 7,350) per metric ton for cash. The Buffer Stock was reduced from 12,479 tons at December 31, 1972 to 1,001 tons at December 31, 1973 but the GSA still has authority to sell some 30,000 tons. Escalating production costs, in particular the increased costs of energy, necessitate firm markets to maintain world supplies. The market has remained strong into 1974 and long-term the outlook is for higher prices.

The Patiño Group continues its substantial involvement in tin smelting through Sharikat Eastern Smelting in Malaysia, Makeri Smelting Company in Nigeria, Associated Tin Smelters in Australia and Cia Estanífera do Brasil in Brazil. Tin metal produced by these companies in 1973 totalled 49,900 tons. Indications are that they should maintain their production levels in 1974. Expansion of smelter capacity in Australia and Brazil is under study.

Patiño, N.V.

Balance Sheet (expressed in Canadian dollars)

	1973	December 31 1972 restated
Assets		
Current Assets		
Cash, term bank deposits	\$ 121,000	\$ 666,000
Accounts receivable	19,000	983,000
	<u>140,000</u>	<u>1,649,000</u>
Investments and Advances		
Subsidiaries, on equity basis	60,566,000	57,943,000
Associated companies, on equity basis	15,045,000	5,672,000
Securities having a quoted market value	1,980,000	2,013,000
	<u>77,591,000</u>	<u>65,628,000</u>
	<u>\$ 77,731,000</u>	<u>\$ 67,277,000</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 368,000	\$ 1,447,000
Income taxes payable	56,000	200,000
	<u>424,000</u>	<u>1,647,000</u>
Shareholders' Equity		
Share Capital		
Authorized 16,000,000 shares, par value 5 fls. per share fls. 80,000,000		
Issued and fully paid 4,376,000 shares	7,726,000	6,743,000
Premium on shares issued	60,561,000	61,506,000
Retained earnings (deficit)	9,020,000	(2,619,000)
	<u>77,307,000</u>	<u>65,630,000</u>
	<u>\$ 77,731,000</u>	<u>\$ 67,277,000</u>
Statement of Income (expressed in Canadian dollars)		
Net income (loss) for the year	\$ 10,556,000	\$ (2,852,000)

See accompanying notes to financial statements

Patiño, N.V. and Subsidiaries

Consolidated Balance Sheet (expressed in Canadian dollars)

Assets	December 31	
	1973	1972 restated
Current Assets		
Cash, term bank deposits	\$ 27,603,000	\$ 26,245,000
Marketable securities	1,028,000	5,564,000
Accounts receivable	78,922,000	55,542,000
Inventories	54,287,000	40,580,000
	<u>161,840,000</u>	<u>127,931,000</u>
Investments		
Associated companies	26,385,000	19,767,000
Other securities	18,581,000	30,348,000
	<u>44,966,000</u>	<u>50,115,000</u>
Fixed Assets	42,122,000	37,821,000
Less: Accumulated depreciation	20,201,000	18,458,000
	<u>21,921,000</u>	<u>19,363,000</u>
Other Assets		
Mine development costs	43,482,000	41,992,000
Mining properties	3,264,000	3,186,000
	<u>46,746,000</u>	<u>45,178,000</u>
Less: Amortization	20,312,000	18,368,000
	<u>26,434,000</u>	<u>26,810,000</u>
Mining and other projects	1,334,000	979,000
Long term receivable	668,000	50,000
	<u>28,436,000</u>	<u>27,839,000</u>
	<u>\$ 257,163,000</u>	<u>\$ 225,248,000</u>

See accompanying notes to financial statements

Liabilities	December 31	
	1973	1972 restated
Current Liabilities		
Bank advances	\$ 52,269,000	\$ 53,116,000
Accounts payable	63,917,000	44,672,000
Income and mining taxes payable	9,866,000	5,741,000
Current portion of long term debt	1,310,000	1,220,000
	<u>127,362,000</u>	<u>104,749,000</u>
Long Term Debt	9,232,000	10,153,000
Deferred Income and Mining Taxes	4,312,000	3,859,000
	<u>140,906,000</u>	<u>118,761,000</u>
Minority Interests	38,950,000	40,857,000
	<u>179,856,000</u>	<u>159,618,000</u>
Shareholders' Equity		
Share Capital		
Authorized 16,000,000 shares, par value		
5 fls. per share	fls. 80,000,000	
Issued and fully paid: 4,376,000 shares	7,726,000	6,743,000
Premium on shares issued	29,956,000	30,901,000
Retained earnings	39,625,000	27,986,000
	<u>77,307,000</u>	<u>65,630,000</u>
	<u>\$ 257,163,000</u>	<u>\$ 225,248,000</u>

Approved on behalf of the Board:



See accompanying notes to financial statements

Patiño, N.V. and Subsidiaries

Consolidated Statement of Income (expressed in Canadian dollars)

	Year ended December 31	
	1973	1972 restated
Revenue		
Net sales	\$ 952,579,000	\$ 610,873,000
Other income	9,942,000	9,604,000
	<u>962,521,000</u>	<u>620,477,000</u>
Costs and Expenses		
Cost of sales	915,040,000	588,103,000
Selling, general and administrative costs	16,037,000	11,231,000
Amortization and depreciation	4,385,000	4,743,000
Interest expense – long term	847,000	931,000
– short term	5,401,000	3,500,000
	<u>941,710,000</u>	<u>608,508,000</u>
Income before taxes, minority interests and extraordinary items	20,811,000	11,969,000
Provision for taxes – current	7,714,000	4,460,000
– deferred	453,000	(393,000)
	<u>8,167,000</u>	<u>4,067,000</u>
Income before minority interests and extra- ordinary items	12,644,000	7,902,000
Minority interests	4,019,000	3,986,000
Income before extraordinary items	<u>8,625,000</u>	<u>3,916,000</u>
Extraordinary items	1,931,000	(6,768,000)
Net income (loss)	<u>\$ 10,556,000</u>	<u>\$ (2,852,000)</u>
Earnings per Share		
Before extraordinary items	\$ 1.97	\$ 0.90
After extraordinary items	\$ 2.41	\$ (0.65)

Consolidated Statement of Retained Earnings (expressed in Canadian dollars)

	Year ended December 31	
	1973	1972 restated
Balance, beginning of year	\$ 27,986,000	\$ 30,155,000
Net surplus arising on acquisition of additional shares in subsidiary and associated companies	697,000	683,000
Surplus on property revaluation by a subsidiary company	386,000	—
Net income (loss)	10,556,000	(2,852,000)
	<u>\$ 39,625,000</u>	<u>\$ 27,986,000</u>

See accompanying notes to financial statements

Consolidated Statement of Source and Application of Funds
(expressed in Canadian dollars)

	Year ended December 31	
	1973	1972 restated
Source of Funds		
Income before minority interests and extraordinary items	\$ 12,644,000	\$ 7,902,000
Amortization and depreciation	4,385,000	4,743,000
Deferred taxes on income	453,000	(393,000)
Increase in share of equity of associated companies	(5,351,000)	(1,190,000)
	<u>12,131,000</u>	<u>11,062,000</u>
Issue of shares	38,000	38,000
Sale of investments, net of taxes	13,791,000	13,816,000
Net surplus arising on acquisition of additional shares in subsidiary and associated companies	697,000	683,000
Proceeds on disposal of fixed assets of subsidiary in liquidation	—	11,009,000
Proceeds on disposal of mining properties	—	1,248,000
Instalments on long term receivable	—	1,837,000
Other items	(93,000)	5,389,000
	<u>26,564,000</u>	<u>45,082,000</u>
Application of Funds		
Mine development and mining property costs	1,604,000	1,379,000
Fixed asset additions, net	4,577,000	6,321,000
Acquisition of investments	1,267,000	9,672,000
Mining and other projects	355,000	574,000
Increase in long term receivable	618,000	—
Long term debt repayment	921,000	717,000
Minority interests	5,926,000	11,437,000
Estimated loss on liquidation of subsidiary	—	17,924,000
	<u>15,268,000</u>	<u>48,024,000</u>
Increase (decrease) in working capital	11,296,000	(2,942,000)
Working capital, beginning of year	23,182,000	26,124,000
	<u>34,478,000</u>	<u>23,182,000</u>
Working capital, end of year	\$ 34,478,000	\$ 23,182,000

See accompanying notes to financial statements

Notes to Corporate and Consolidated Financial Statements

1. Accounting policies

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in The Netherlands and include the accounts of the Company and its subsidiaries. Associated companies, being those companies in which Patiño, N.V. has directly or indirectly an equity interest of between 20% and 50%, are stated at the Company's share of their underlying net assets. The difference between the cost of the investments in subsidiary and associated companies and Patiño, N.V.'s share of underlying net assets at the time of acquisition is immediately transferred to consolidated retained earnings.

The 1972 comparative figures have been restated to conform with the consolidation policy adopted in 1973.

The statements are expressed in Canadian dollars. Assets and liabilities in other currencies and all income statement captions in other currencies are translated into Canadian dollars at year end rates of exchange. The resulting exchange differences are taken up in the consolidated statement of income under extraordinary items except that unrealized exchange gains arising on a major development project have been deferred and applied to reduce the carrying value of mine development costs.

Marketable securities are carried at cost less amounts written off. Inventories are valued at the lower of cost or net realizable value; cost for certain metals is market or

forward selling prices and for supplies is recent purchase cost.

Depreciation is provided on fixed assets using the straight line or reducing balance methods at varying rates calculated to write off the assets over their estimated remaining useful lives.

Amortization of mine development costs and cost of mining properties is provided for, on operating properties, on the basis of the relationship between production and ore reserves at the beginning of each year in order to accumulate a provision adequate to offset the cost of the properties and mine development at the end of the estimated economic lives of the properties.

Except in areas currently under development where production is highly probable, exploration expenditures are expensed when incurred.

The Company follows the tax allocation basis of accounting with respect to all timing differences between reported net income and taxable income.

There is no provision for certain taxes that may become payable if undistributed earnings of subsidiaries were to be paid as dividends because only a minor portion of such earnings has not been or will not be reinvested.

The calculation of earnings per share is based on the number of shares outstanding at the end of each year. The earnings per share would not be materially diluted if all the outstanding options were to be exercised.

2. Changes in accounting policy

Changes in accounting policy outlined elsewhere in the notes to the financial statements have affected net income and retained earnings as follows:

Adjustments affecting net income

Consolidation of subsidiaries for the first time
Share in income of associated companies (net)

Adjustments made directly to retained earnings

	Additions (deductions) for the year ended December 31		Retained earnings as at January 1
	1973	1972	1972
	\$ 2,335,000	\$ (6,318,000)	\$ 678,000
	5,291,000	957,000	307,000
	<u>7,626,000</u>	<u>(5,361,000)</u>	<u>985,000</u>
	1,083,000	683,000	3,057,000
	<u>\$ 8,709,000</u>	<u>\$ (4,678,000)</u>	<u>\$ 4,042,000</u>

3. Marketable securities

	December 31	
	1973	1972
Cost	<u>\$ 1,028,000</u>	<u>\$ 5,564,000</u>
Market value	<u>\$ 1,030,000</u>	<u>\$ 6,293,000</u>

4. Inventories

	December 31	
	1973	1972
Inventories comprise:		
Metals, finished and in process	\$ 46,930,000	\$ 27,490,000
Supplies	1,749,000	2,531,000
Other	5,608,000	10,559,000
	<u>\$ 54,287,000</u>	<u>\$ 40,580,000</u>

5. Brazil

The heading associated companies in the consolidated financial statements includes \$ 6,920,000 relating to investments in Brazil. These include a 30% interest in Minas del Rey Dom Pedro, a company holding mining

rights on known iron ore deposits in Brazil and a 45% interest in Companhia Espírito Santo de Mineração, a mineral exploration company. The ultimate recovery of the cost of these investments depends on successful development of these mining rights in Brazil. Further exploration is being carried out in 1974 on these properties.

6. Other securities

	December 31, 1973		December 31, 1972	
	Net Book Value	Market Value	Net Book Value	Market Value
Quoted, at cost	\$ 13,529,000	\$ 11,175,000	\$ 24,639,000	\$ 28,362,000
Unquoted, at cost less amounts written off	5,052,000	13,426,000*	5,709,000	13,982,000*
	<u>\$ 18,581,000</u>	<u>\$ 24,601,000</u>	<u>\$ 30,348,000</u>	<u>\$ 42,344,000</u>

* Directors' valuation.

7. Fixed assets

	December 31, 1973		December 31, 1972	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Freehold land and buildings	\$ 11,329,000	\$ 1,573,000	\$ 10,138,000	\$ 1,284,000
Leasehold land and buildings	1,931,000	130,000	1,406,000	276,000
Plant, machinery and equipment	14,028,000	7,561,000	12,219,000	6,767,000
Mine buildings and equipment	14,834,000	10,937,000	14,058,000	10,131,000
	<u>\$ 42,122,000</u>	<u>\$ 20,201,000</u>	<u>\$ 37,821,000</u>	<u>\$ 18,458,000</u>

8. New Caledonia

During 1973 work proceeded on the organization of the mining and metallurgical project in the north of New Caledonia.

On February 27, 1974 the project was officially launched after the terms of the fiscal agreement relating to the entire operation had been determined by the French Government and the financing had been assured. The development to production of the metallurgical project is expected to require the investment of approximately 750 million French Francs (\$ 150,000,000). Apart from funds of the Patiño Group, assisted by the Bank of Montreal, financing will be provided through long term loans from various official entities and a banking consortium under the leadership of Société Générale. This amount is in addition to the \$ 15,153,000 included in the financial statements as mine development costs. Production is expected to commence in mid 1976.

9. Bank advances

Bank advances to a subsidiary are secured to the extent of \$ 31,732,000 (1972 \$ 34,086,000) by assets of that subsidiary. Unused bank borrowing facilities are available for which certain investments, term bank deposits and accounts receivable have been assigned as security.

10. Long term debt

Long term debt represents:

(a) \$ 8,430,000, 7-7/8% serial debentures issued by a

subsidiary, maturing serially in increasing amounts from \$ 1,420,000 in 1975 to the final payment of \$ 1,930,000 in 1979. The debentures are secured by a first floating charge on the assets of a subsidiary and are guaranteed by the Company.

(b) \$ 542,000, unsecured, non-interest bearing, balance payable in 1975 on the investment in an associated company.

(c) Long term bank loan of a subsidiary amounting to \$ 350,000.

11. Commitments and contingent liabilities

The Company made a final payment to Rio Tinto Patiño, S.A. (RTP) of \$ 1,300,000 in March, 1974 on the issue by RTP of additional new shares in March, 1972.

The Company has undertaken to guarantee bank loans of RTP to a maximum amount of US \$ 25,000,000 of which US \$ 11,250,000 was outstanding at the year end. In addition, the Company has guaranteed loans made to purchase equipment by RTP totalling US \$ 924,000.

The Company has guaranteed bank loans of subsidiaries totalling \$ 8,000,000 which were not being utilized at December 31, 1973. A subsidiary company has contingent liabilities at December 31, 1973 amounting to \$ 17,000,000.

12. Income taxes

Early in 1973 one of the subsidiary companies received

income tax reassessments for the taxation years ending December 31, 1969 and 1970. If the principal issues in the reassessments were upheld, income tax expenses for prior years would be increased by \$ 1,400,000 of which \$ 700,000 would be payable by the Company. Company management and its tax consultants believe that the Group's position can be supported and the necessary Notices of Objection have been filed. The provision for taxes is considered to be adequate in the circumstances.

13. Shareholders' equity

	Share Capital	Share Premium
Balance, December 31, 1972 in Patiño, N.V.	\$ 6,743,000	\$ 30,901,000
Shares issued for options exercised during 1973	9,000	29,000
Adjustment to restate the issued share capital translated at year end rates of exchange	974,000	(974,000)
Balance, December 31, 1973 in Patiño, N.V.	<u>\$ 7,726,000</u>	<u>\$ 29,956,000</u>

During 1973 options were exercised for 4,500 shares of the Company for a consideration of \$ 38,000 and options on 17,500 shares at an option price of \$ 45.00 per share were terminated. Options for 41,500 shares at \$ 25.00 per share were issued on December 20 (17,500 for directors and senior officers).

14. Net sales

An analysis of net sales follows:

	1973	1972
Merchanting in metals, ores etc	\$ 713,790,000	\$ 410,308,000
Tin smelting	154,758,000	131,685,000
Steel merchanting and fabricating	46,200,000	25,685,000
Sales of mineral production	22,347,000	17,993,000
Other activities including investment dealing	15,484,000	25,202,000
	<u>\$ 952,579,000</u>	<u>\$ 610,873,000</u>

15. Other income

Other income includes interest of \$ 2,405,000 (1972 – \$ 2,745,000), income from and gains on sales of marketable

securities, and the Company's share of the net income of associated companies of \$ 4,744,000 (1972 – \$ 902,000).

16. Amortization and depreciation

The charge for the year is:

	1973	1972
Amortization of mine development costs and mining properties	\$ 1,980,000	\$ 2,484,000
Depreciation	2,405,000	2,259,000
	<u>\$ 4,385,000</u>	<u>\$ 4,743,000</u>

17. Remuneration of Directors and senior officers of Patiño, N.V.

There are nine directors who received in 1973 total direct remuneration of \$ 594,000.

Directors and senior officers of the Company as defined by the Ontario Securities Act, received in 1973 total direct remuneration of \$ 646,000.

18. Extraordinary items comprise:

	1973	1972
Gain on disposal of investments	\$ 2,024,000	\$ 5,767,000
Exchange differences	4,010,000	1,146,000
Sale of property on reorganization of a subsidiary	—	222,000
Supplementary contri- bution by a subsidiary company to pension schemes	(728,000)	—
Taxation (charged) recoverable	(508,000)	30,000
Estimated loss on liquidation of a subsidiary company	—	(17,924,000)
	<u>4,798,000</u>	<u>(10,759,000)</u>
Minority interests	(2,867,000)	3,991,000
	<u>\$ 1,931,000</u>	<u>\$ (6,768,000)</u>

19. Appropriation of profit

In accordance with article 15 of the Company's statutes the Directors' recommend that the earnings for the year be retained and accordingly, do not propose any dividend distribution at this time.

Auditor's Report

We have examined the financial statements, set out on pages 17 to 24 inclusive of Patiño, N.V.

Based on our examination, we are of the opinion that the accompanying financial statements present fairly the amount and composition of the equity of the Company at December 31, 1973 and its results for 1973.

* Signatory authorized under section 42a of the Commercial Code.
The Hague, April 11, 1974

* Price Waterhouse & Co.

Five Year Consolidated Summary

For the year (in thousands)	1973	1972 restated	1971 restated	1970 restated	1969 restated
Revenue					
Net sales	\$ 952,579	\$ 610,873	\$ 848,126	\$ 994,617	\$ 911,054
Other income	9,942	9,604	4,073	4,236	4,011
	<u>962,521</u>	<u>620,477</u>	<u>852,199</u>	<u>998,853</u>	<u>915,065</u>
Costs and expenses					
Operating costs	937,325	603,765	845,615	984,408	896,246
Amortization and depreciation	4,385	4,743	5,224	4,541	3,986
Provision for taxes – current	7,714	4,460	4,531	4,771	5,667
– deferred	453	(393)	(304)	1,110	2,475
Minority interests	4,019	3,986	(277)	2,334	5,409
	<u>953,896</u>	<u>616,561</u>	<u>854,789</u>	<u>997,164</u>	<u>913,783</u>
Income before extraordinary items	8,625	3,916	(2,590)	1,689	1,282
per share	1.97	0.90	(0.59)	0.39	0.30
Extraordinary items	1,931	(6,768)	5,022	499	5,791
Net income (loss)	10,556	(2,852)	2,432	2,188	7,073
per share	2.41	(0.65)	0.57	0.50	1.63
Cash flow from operations					
per share	12,131	11,062	1,653	9,501	13,492
	2.77	2.53	0.38	2.18	3.11
Dividends paid by Patiño	—	—	1,090	1,738	1,519
per share	—	—	0.25	0.40	0.35
At the Year End (in thousands)					
Working capital	34,478	23,182	26,124	30,833	34,510
Investments	44,966	50,115	47,302	42,502	41,365
Fixed assets, net	21,921	19,363	26,748	24,915	20,450
Other assets	28,436	27,839	31,017	27,718	25,877
Long term debt	9,232	10,153	10,870	5,000	—
Deferred taxes	4,312	3,859	4,252	4,498	3,000
Minority interests	38,950	40,857	48,308	49,985	52,114
Shareholders' equity at book value	<u>\$ 77,307</u>	<u>\$ 65,630</u>	<u>\$ 67,761</u>	<u>\$ 66,485</u>	<u>\$ 67,088</u>
Shares outstanding at end of year	<u>4,376,000</u>	<u>4,371,500</u>	<u>4,367,000</u>	<u>4,350,200</u>	<u>4,344,800</u>

The above summary does not include any increases in value of the Company's ore reserves, development projects or Group holdings in land and buildings except as reflected as surplus on property revaluation by a subsidiary in 1973.

Patiño, N.V.

Directors and Officers

Antenor Patiño R., *Chairman of the Board, Director*
R. Lévêque, *President and Chief Executive Officer, Director*
M.P. Bloemsma, *Director*
Count du Boisrouvray, *Director*
G. Gutiérrez, *Vice-President, Director*
P.J. Keenan, C.A., *Vice-President, Treasurer, Director*
G. Lomné, *Director*
S.P. Ogryzlo, *Vice-President, Director*
G. Ortiz P., *Director*
J. Boitreaud, *Executive Vice-President*
W.A. Thompson, C.A., *Secretary*
A. W. Oughtred, *Assistant Secretary*

Head Office

Catsheuvel 6, 12th Floor
The Hague, The Netherlands

Bankers

Bank of Montreal

Stock Exchanges

Toronto and Montreal

Transfer Agents and Registrars

Patiño, N.V., The Hague
National Trust Company, Limited
Toronto and Montreal

Auditors

Price Waterhouse & Co.

Cofremmi Group

Cofremmi (Compagnie Française d'Entreprises Minières, Métallurgiques et d'Investissements)

Directors and Officers

R. Lévêque, *Chairman and Managing Director*
R. Michel, *General Manager, Director*
Count du Boisrouvray, *Director*
J. Boitreaud, *Director*
G. Lomné, *Director*
Antenor Patiño R., *Director*

Sommeni (Société Minière et Métallurgique du Nickel)

Management Committee

R. Michel, *President*
P. Prieur, E.C., *Director*

Supervisory Committee

J. Boitreaud, *President*
G. Lomné, *Vice-President*
P.J. Keenan, C.A.
Cofremmi permanent representative

Cesbra (Companhia Estanífera do Brasil)

Management Committee

A.E.C. Tangari, *President, Director*
J.M. Buffière, *Technical Vice-President, Director*
A. Rodrigues Filho, *Administrative Vice-President, Director*
O. Guerrero, *Commercial Manager*
P. Prieur, E.C., *Financial Manager*

Patiño Mines (Quebec) Limited

Directors and Officers

G. Gutiérrez, *Chairman of the Board, Director*
S. P. Ogryzlo, *President and Chief Executive Officer, Director*
L. Y. Fortier, *Director*
S. H. Robinson, *Director*
H. E. Rudd, *Vice-President - Operations*
G. R. W. Skerrett, C.A., *Secretary-Treasurer*

Lemoine Mines Limited

Directors and Officers

G. Gutiérrez, *Chairman of the Board, Director*
S. P. Ogryzlo, *President, Director*
L. Y. Fortier, *Director*
S. H. Robinson, *Director*
C. M. Marshall, *Director of Development and General Manager*
G. R. W. Skerrett, C.A., *Secretary-Treasurer*

CTS Group

Consolidated Tin Smelters Limited**Directors and Officers**

Antenor Patiño R., *President, Director*
E.R.E. Carter, *Chairman, Director*
P.J. Keenan, C.A., *Chief Executive, Director*
Count du Boisrouvray, *Director*
F.G. Charlesworth, *Director*
D.H. Mansfield, *Director*
D. R. Mitchell, *Director*
W. Mure, C.B.E., *Director*
G. Ortiz P., *Director*
J. Ortiz-Patiño, *Director*
G.T. Bodkin, *General Manager*
P.J. Norton, *Secretary*
A.R. Williams, *Group Production Metallurgist*

Consolidated Tin Smelters (Australia) Pty. Limited**Officers**

J.R. Meehan, *Managing Director*
M. W. Harrison, *Secretary*

Lytton Minerals Limited

Directors and Officers

S. P. Ogryzlo, *President, Director*
E. Koblanski, *Vice-President, Director*
G. Gutiérrez, *Director*
W. Howard, *Director*
B. C. MacDonald, *Director*
G. R. W. Skerrett, C.A., *Secretary-Treasurer*
R. A. White, *Assistant Secretary*

Amalgamated Metal Corporation Limited
Officers

E.R.E. Carter, *Chairman of the Board*
J.D. Robbins, O.B.E., T.D., *Executive Deputy Chairman*
P.J. Keenan, C.A., *Chief Executive*
A.A. Curran, *Mountstar Group Director*
J.H. Etherton, *Metal Trading Director*
A.D. Stirling, C.A., *Finance Director*
A.M.R. Sylvester, *Administration and Industrial Companies Director*
P. J. Norton, *Secretary*

Sharikat Eastern Smelting Berhad
Officers

Datuk Kurnia Jasa Haji Osman bin Talib, *Chairman*
J. McKeown, *Managing Director*
F.T. Wheelwright, *Technical Director*
K.H. Gan, *Secretary*

Makeri Smelting Company Limited
Officers

M.M. Murray, *Chairman*
P.D. Sampson, *Managing Director*

